

WAUBONSIE MENTAL HEALTH CENTER
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES
YEARS ENDED JUNE 30, 2020 AND 2019

WAUBONSIE MENTAL HEALTH CENTER

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WAUBONSIE MENTAL HEALTH CENTER
 Officials
 June 30, 2020

| <u>Board of Directors:</u> | <u>Address</u> | <u>Term Expires</u> |
|--|-----------------------|---------------------|
| Randy Hickey, Chairperson | Thurman, Iowa | 2020 |
| Mark Peterson, Vice-Chairperson | Stanton, Iowa | 2020 |
| Elaine Armstrong, Secretary/ Treasurer (July, 2020) | Clarinda, Iowa | 2020 |
| Brian Kingsolver, Treasurer (Resigned July, 2020) | Sidney, Iowa | 2020 |
| Lee Haidsiak | Villisca, Iowa | 2022 |
| Becki Peterson | Stanton, Iowa | 2022 |
| Chuck Morris | Clarinda, Iowa | 2020 |
| Nancy Henneman | Sidney, Iowa | 2022 |
| Keith Brothers | Clarinda, Iowa | 2021 |
| <u>Executive Director:</u> | | |
| Brian Shotwell | Plattsmouth, Nebraska | Indefinite |

Gronewold, Bell, Kyhnn & Co. P.C.

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DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Waubonsie Mental Health Center
Clarinda, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Waubonsie Mental Health Center (a nonprofit organization) which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waubonsie Mental Health Center as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Waubonsie Mental Health Center

Emphasis of a Matter

As discussed in Note K, the Mental Health Center may be adversely affected by the global Novel Coronavirus (COVID-19) pandemic. The Mental Health Center cannot at this time reasonably estimate the length or severity of this pandemic, or the extent to which the disruptions may impact the Mental Health Center's financial position, results of operations, or cash flows in 2021 and after. Our conclusion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 1 and 14 and 15 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 21, 2020 on our consideration of Waubonsie Mental Health Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Waubonsie Mental Health Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Waubonsie Mental Health Center's internal control over financial reporting and compliance.

Gregory A. New, CPA, P.C.

Atlantic, Iowa
October 21, 2020

WAUBONSIE MENTAL HEALTH CENTER
Statements of Financial Position
June 30,

ASSETS

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| Current Assets: | | |
| Cash | \$ 956,346 | \$ 109,015 |
| Certificates of deposit | 758,167 | 749,643 |
| Client receivables, less allowances for doubtful accounts and contractual adjustments (\$299,000 in 2020 and \$313,000 in 2019) | 185,334 | 246,646 |
| Grant receivable | -- | 201,084 |
| Estimated third-party payor settlements | -- | 548,520 |
| Prepaid expense | <u>4,225</u> | <u>4,225</u> |
| Total current assets | 1,904,072 | 1,859,133 |
| Property and Equipment, Net | <u>290,805</u> | <u>310,048</u> |
| Total assets | <u>\$ 2,194,877</u> | <u>\$ 2,169,181</u> |

LIABILITIES AND NET ASSETS

| | | |
|----------------------------------|---------------------|---------------------|
| Current Liabilities: | | |
| Accounts payable | \$ 39,982 | \$ 55,382 |
| Grant payable | 26,706 | -- |
| Line of credit | -- | 100,000 |
| Accrued employee compensation | <u>124,649</u> | <u>119,663</u> |
| Total current liabilities | 191,337 | 275,045 |
| Net Assets: | | |
| Without donor restrictions | <u>2,003,540</u> | <u>1,894,136</u> |
| Total liabilities and net assets | <u>\$ 2,194,877</u> | <u>\$ 2,169,181</u> |

The accompanying notes are an integral part of these statements.

WAUBONSIE MENTAL HEALTH CENTER
Statements of Activities and Changes in Net Assets
Year ended June 30,

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| Changes in Net Assets Without Donor Restrictions: | | |
| Revenue and Support: | | |
| Revenue: | | |
| Client fees, net | \$ 2,014,626 | \$ 2,214,843 |
| Other revenue | <u>30,542</u> | <u>59,879</u> |
| Total revenue | 2,045,168 | 2,274,722 |
| Support: | | |
| Support from Mental Health Region | 34,152 | 76,810 |
| Grant | <u>1,064,930</u> | <u>851,197</u> |
| Total support | 1,099,082 | 928,007 |
| Total Revenue and Support | 3,144,250 | 3,202,729 |
| Expenses: | | |
| Operating expenses | 3,432,468 | 3,106,998 |
| Provision for depreciation | <u>22,043</u> | <u>24,577</u> |
| Total expenses | 3,454,511 | 3,131,575 |
| Operating Income (Loss) | (310,261) | 71,154 |
| Other Support and Gains: | | |
| COVID-19 funding | 399,641 | -- |
| Interest income | 9,476 | 8,606 |
| Contributions | <u>10,548</u> | <u>210</u> |
| Other support and gains | 419,665 | 8,816 |
| Increase in Net Assets Without Donor Restrictions | 109,404 | 79,970 |
| Net Assets, Beginning of Year | <u>1,894,136</u> | <u>1,814,166</u> |
| Net Assets, End of Year | <u>\$ 2,003,540</u> | <u>\$ 1,894,136</u> |

The accompanying notes are an integral part of these statements.

WAUBONSIE MENTAL HEALTH CENTER
Statements of Cash Flows
Year ended June 30,

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|-------------------|
| Cash flows from operating activities: | | |
| Cash received from clients, third party payors, and contracting agencies | \$ 2,624,458 | \$ 1,570,358 |
| Cash paid to suppliers and employees | (3,442,882) | (3,041,057) |
| Region support received | 34,152 | 76,810 |
| Grants received | 1,292,720 | 883,413 |
| Interest income | 9,476 | 8,606 |
| Contributions received | 10,548 | 210 |
| Other operating revenue | <u>30,542</u> | <u>59,879</u> |
| Net cash provided by (used in) operating activities | 559,014 | (441,781) |
| Cash flows from investing activities: | | |
| Capital expenditures | (2,800) | -- |
| Additions to certificates of deposit | (8,524) | (7,664) |
| Net cash used in investing activities | <u>(11,324)</u> | <u>(7,664)</u> |
| Cash flows from financing activities: | | |
| Proceeds from PPP loan | 353,623 | -- |
| COVID-19 funding | 46,018 | -- |
| Proceeds (payment) from line of credit | (100,000) | 100,000 |
| Net cash provided by financing activities | <u>299,641</u> | <u>100,000</u> |
| Net increase (decrease) in cash | 847,331 | (349,445) |
| Cash beginning of year | <u>109,015</u> | <u>458,460</u> |
| Cash end of year | <u>\$ 956,346</u> | <u>\$ 109,015</u> |

The accompanying notes are an integral part of these statements.

WAUBONSIE MENTAL HEALTH CENTER
Notes to Financial Statements
June 30, 2020 and 2019

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

1. Nature of Activities

The Waubonsie Mental Health Center is an Iowa not-for-profit corporation operating under Chapter 230A of the Code of Iowa and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Center is established to provide a comprehensive community mental health program for the diagnosis and treatment of psychiatric and psychological disorders and to promote the prevention of mental illness. The Board includes a representative from the County Board of Supervisors of each of the three counties in the service area (Fremont, Montgomery and Page counties). Each of these members serve an annual term. The six remaining members of the Board of Directors serve three year terms and are selected by the existing Board.

2. Measurement Focus and Basis of Accounting

Measurement focus refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

3. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. Client Receivables

Client receivables are shown at the amount expected to be collected from clients and other third-party payors. The allowance for doubtful accounts is based on an aging of all the individual client balances. The allowance for contractual adjustments is based on the difference between the Center's normal fees and expected government program and insurance payments.

WAUBONSIE MENTAL HEALTH CENTER
Notes to Financial Statements
June 30, 2020 and 2019

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

5. Unrestricted Revenues and Support

- a. Fees from clients are recorded at list price with adjustments based upon ability to pay and government program and insurance limitations deducted to arrive at net fees from clients.
- b. MHDS region revenues are for specific programs and the Center's general operating expenses.
- c. Grant revenues are for specific programs provided by the Center and are recognized as income when grant requirements have been satisfied.

6. Property and Equipment

Property and equipment is stated at cost. The Center computes depreciation on equipment and vehicles using the straight-line method. Lives range from five to ten years for equipment, ten to twenty-five years for buildings and leasehold improvements and five years for vehicles.

7. Charity Care

The Center provides care to clients who meet certain criteria under its charity care policy at amounts less than its regular rates. Revenue from services to these clients is recorded as indicated in 5. above. These reductions are recorded as adjustments to fees from clients.

8. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Center considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

9. Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

WAUBONSIE MENTAL HEALTH CENTER
Notes to Financial Statements
June 30, 2020 and 2019

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

10. Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

Unconditional promises to give cash and other assets to the Center are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Center, unless the donor provides more specific directions about the period of its use.

NOTE B - THIRD-PARTY PAYOR ARRANGEMENTS

A summary of the payment arrangements with major third-party payors follows:

Medicaid - Certain services are paid based on a cost reimbursement methodology. The Center is reimbursed for the cost of services at a tentative rate with final settlement determined after submission of annual cost reports by the Center and audits thereof by the fiscal intermediary. The Center's Medicaid cost reports have been audited and finalized by the fiscal intermediaries through June 30, 2019. However, finalized cost reports are subject to re-opening by the intermediary. Effective April 1, 2016, these services are reimbursed based on negotiated prospective payment rates through Managed Care Organizations, contracted by the State of Iowa.

The Center also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Center under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

WAUBONSIE MENTAL HEALTH CENTER
Notes to Financial Statements
June 30, 2020 and 2019

NOTE C - FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| Financial assets: | | |
| Cash and cash equivalents | \$ 956,346 | \$ 109,015 |
| Certificates of deposit | 758,167 | 749,643 |
| Account and other receivables | 185,334 | 996,250 |
| Working capital investments | <u>4,225</u> | <u>4,225</u> |
| Total financial assets available within one year | <u>\$ 1,904,072</u> | <u>\$ 1,859,133</u> |

As part of the Center's liquidity management, it has structured its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Center invests cash in excess of daily requirements in short-term investments.

NOTE D - PROPERTY AND EQUIPMENT

The cost and related accumulated depreciation by major category at June 30 are as follows:

| | <u>2020</u> | <u>2019</u> |
|-------------------------------------|-------------------|-------------------|
| Land | \$ 30,000 | \$ 30,000 |
| Building and Leasehold Improvements | 322,132 | 319,332 |
| Office Equipment | 163,094 | 163,094 |
| Automobiles | <u>72,176</u> | <u>72,176</u> |
| | 587,402 | 584,602 |
| Less Accumulated Depreciation | <u>296,597</u> | <u>274,554</u> |
| | <u>\$ 290,805</u> | <u>\$ 310,048</u> |

Rent expense for office space and transitional living program housing under cancelable operating leases totaled \$6,150 for the year ended June 30, 2020 (\$11,695 for June 30, 2019).

WAUBONSIE MENTAL HEALTH CENTER
Notes to Financial Statements
June 30, 2020 and 2019

NOTE E - FUNCTIONAL EXPENSES

These statements report certain categories of expenses that are attributable to both program or supporting functions of the Center. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as time and effort for personnel expenses and other costs.

Expenses by functional classification for the year ended June 30, 2020 consist of the following:

| | <u>Program Services</u> | <u>Management and General</u> | <u>Total</u> |
|--|-----------------------------|-----------------------------------|---------------------|
| Salaries and benefits | \$ 2,763,544 | \$ 178,009 | \$ 2,941,553 |
| Professional fees, supplies and other expense | 245,995 | 244,920 | 490,915 |
| Depreciation | <u>8,200</u> | <u>13,843</u> | <u>22,043</u> |
| Total | <u>\$ 3,017,739</u> | <u>\$ 436,772</u> | <u>\$ 3,454,511</u> |

Expenses by functional classification for the year ended June 30, 2019 consist of the following:

| | <u>Program Services</u> | <u>Management and General</u> | <u>Total</u> |
|--|-----------------------------|-----------------------------------|---------------------|
| Salaries and benefits | \$ 2,508,043 | \$ 157,976 | \$ 2,666,019 |
| Professional fees, supplies and other expense | 256,561 | 184,418 | 440,979 |
| Depreciation | <u>8,200</u> | <u>16,377</u> | <u>24,577</u> |
| Total | <u>\$ 2,772,804</u> | <u>\$ 358,771</u> | <u>\$ 3,131,575</u> |

NOTE F - LINE OF CREDIT

In February of 2019, the Center took out a line of credit in the amount of \$100,000 with Bank Iowa. The line of credit has an interest rate of 2.45% and matures December 6, 2021. As of June 30, 2020, \$ - 0 - was outstanding on this line of credit. The Center has \$100,000 available on this line of credit.

NOTE G - RETIREMENT PLAN

The Center offers a 403(b) retirement plan in which the Center contributes five percent of an eligible individual's gross wages, limited to \$40,000, to the plan. All full-time staff with two months of employment and who are over eighteen years of age are included in the plan. Total contributions made by the Center for the year ended June 30, 2020 were \$79,290 (\$77,062 for 2019).

WAUBONSIE MENTAL HEALTH CENTER
Notes to Financial Statements
June 30, 2020 and 2019

NOTE H - INCOME TAXES

The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Center does not believe it has any income derived from unrelated business activities. The Center believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Center is required to file a Form 990 (which is subject to audit by the Internal Revenue Service) annually, to maintain its exempt status.

NOTE I - CONTINGENCIES

Risk Management

The Center is insured by a claims-made policy for protection against liability claims resulting from professional services provided or which should have been provided. Management believes that the malpractice insurance coverage is adequate to cover all asserted and any unasserted claims, therefore no related liability has been accrued. Waubonsie Mental Health Center is exposed to various other common business risks for which it is covered by commercial insurance. Settled claims from these risks have not exceeded insurance coverage for the past three years.

Off-Balance Sheet Risk

The Center maintains its deposits at several banks in the area. At various times throughout the year and at year end, the deposits in one of the banks exceeded the FDIC insured deposits limit for one entity by approximately \$687,300 for the bank at year end. Management of the Center has received no indication of any potential viability problems with this bank by the date of this report.

Subsequent Events

The Center has evaluated all subsequent events through October 21, 2020, the date the financial statements were available to be issued.

NOTE J - CONCENTRATION OF CREDIT RISK

The Center grants credit without collateral to its clients, most of whom are area residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2020 and 2019, was as follows:

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------|-------------|-------------|
| Medicare/Medicaid | 80% | 80% |
| Other third-party payors and patients | <u>20</u> | <u>20</u> |
| | <u>100%</u> | <u>100%</u> |

WAUBONSIE MENTAL HEALTH CENTER
Notes to Financial Statements
June 30, 2020 and 2019

NOTE K - MATTERS AFFECTING CURRENT AND SUBSEQUENT YEARS OPERATIONS

On March 11, 2020 the World Health Organization declared the Novel Coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The Mental Health Center limited operations per recommendations of the Governor and Department of Public Health and remained limited through the end of the fiscal year. The Mental Health Center cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the Mental Health Center's financial position, result of its changes in net position or cash flows in 2021 and after.

NOTE L - PAYCHECK PROTECTION PROGRAM LOAN (PPP LOAN)

The Paycheck Protection Program Loan was issued in May, 2020 in a principal amount of \$353,623 for the purpose of protecting payroll during the COVID-19 pandemic. The loan carries an interest rate of 1% on any amount that needs to be repaid but is subject to be forgiven. The Mental Health Center has elected to recognize the entire amount of the loan as revenue and not a liability as the Mental Health Center expects all proceeds to be forgiven.

* * *

SUPPLEMENTARY INFORMATION

WAUBONSIE MENTAL HEALTH CENTER
Revenues and Support
Year ended June 30,

| <u>Client Fees</u> | <u>2020</u> | <u>2019</u> |
|----------------------------------|---------------------|---------------------|
| Self Pay and 3rd Party Insurance | \$ 710,058 | \$ 663,322 |
| Title XIX | 1,637,435 | 1,342,384 |
| Integrated Health Program | 428,122 | 435,737 |
| Region and County Funding | 22,033 | 20,757 |
| Other | <u>--</u> | <u>3,137</u> |
| Gross Client Fees | 2,797,648 | 2,465,337 |
| Less: | | |
| Contractual Adjustments | <u>783,022</u> | <u>250,494</u> |
| Net Client Fees | <u>\$ 2,014,626</u> | <u>\$ 2,214,843</u> |

See Independent Auditor's Report.

WAUBONSIE MENTAL HEALTH CENTER
Operating Expenses
Year ended June 30,

| | 2020 | 2019 |
|---|---------------------|---------------------|
| General Operating: | | |
| Administrative salaries | \$ 140,576 | \$ 121,189 |
| Therapists salaries | 841,133 | 883,680 |
| Clerical salaries | 264,913 | 260,817 |
| Psychiatric consultation | 666,267 | 362,576 |
| Employee benefits | 373,177 | 354,035 |
| Payroll tax expense | 144,487 | 149,362 |
| Audit, accounting, and legal fees | 18,138 | 25,407 |
| Other professional fees | 158,468 | 100,856 |
| Office supplies | 43,008 | 27,527 |
| CSP program expenses | 644 | 2,885 |
| Telephone | 7,960 | 5,423 |
| Emergency communication | 6,897 | 5,219 |
| Postage and shipping | 5,104 | 5,337 |
| Rent expense | 6,490 | 7,077 |
| Building repairs and maintenance | 40,582 | 26,561 |
| Insurance expense | 35,823 | 33,223 |
| Utilities | 17,545 | 17,772 |
| Travel expense | 8,404 | 17,524 |
| Agency vehicle expense | 6,409 | 10,617 |
| Staff development and training | 11,599 | 15,650 |
| Subscriptions | 366 | 244 |
| Organization dues | 5,590 | -- |
| Equipment repairs and maintenance | 4,390 | 3,200 |
| Advertising and recruiting | 3,213 | 2,764 |
| Medication expense | 913 | 608 |
| Interest expense | 1,073 | -- |
| Miscellaneous | 6,621 | 8,461 |
| | <u>2,819,790</u> | <u>2,448,014</u> |
| Peer Support Services: | | |
| Salaries | 31,162 | 30,120 |
| Employee benefits | 6,223 | 5,904 |
| Travel expense | 778 | 935 |
| Other expense | 708 | 6,296 |
| | <u>38,871</u> | <u>43,255</u> |
| Crisis Support Residential Services Program Expenses: | | |
| Salaries | 428,942 | 455,954 |
| Employee benefits | 44,673 | 42,382 |
| Travel expense | 8,396 | 5,326 |
| Other expense | 91,796 | 103,246 |
| | <u>573,807</u> | <u>606,908</u> |
| Transitional Living Program: | | |
| Housing | -- | 6,500 |
| Other expense | -- | 2,321 |
| | <u>--</u> | <u>8,821</u> |
| | <u>\$ 3,432,468</u> | <u>\$ 3,106,998</u> |

See Independent Auditor's Report.

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Directors
Waubonsie Mental Health Center
Clarinda, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Waubonsie Mental Health Center, as of and for the years ended June 30, 2020 and 2019, and the related notes to financial statements, and have issued our report thereon dated October 21, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Waubonsie Mental Health Center's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Waubonsie Mental Health Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Waubonsie Mental Health Center's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Center's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies: 20-I-A.

To the Board of Directors
Waubonsie Mental Health Center

Compliance and Other Matters

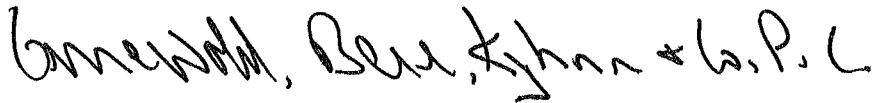
As part of obtaining reasonable assurance about whether the Waubonsie Mental Health Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Response to Finding

Waubonsie Mental Health Center's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. Waubonsie Mental Health Center's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Atlantic, Iowa
October 21, 2020

WAUBONSIE MENTAL HEALTH CENTER
Schedule of Findings and Responses
Year ended June 30, 2020

PART I - INTERNAL CONTROL DEFICIENCIES

20-I-A Segregation of Duties:

Criteria: Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Center's financial statements.

Condition: A limited number of people have the primary responsibility for most of the accounting and financial reporting duties.

Cause: The Center has a limited number of employees which does not allow procedures to be established to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect: Inadequate segregation of duties could adversely affect the Center's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation: We recognize that it may not be economically feasible for the Center to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Center to employ additional personnel for this reason. The Board will continue to act as an oversight group.

Conclusion: Response accepted.

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